Managing brands (pros and cons of brands)

Business, Company

Introduction

We live in a world of capitalism and multinational brands dominate the consumer market. To the consumer, brands that have existed over many years represent quality, esteem, identity, trust and above all, a very reliable source of customer support and care. Companies try to promote their brand equity by vigorousadvertisementcampaigns. Targeted advertisements enhance the brand image and increase the competitive advantage by providing a Brand identity. Firms also use brand extension to increase their profitability by extending the power of their brand image to other product lines. While powerful brands utilize their brand equity and exercise their muscle power to dominate the market they are also having to face with increasing competition from store brands and retailers who promote their own products. Ultimately the focus of all brands is to improve customer equity. From the consumer perspective, the price for value proposition of brands has to be considered. A brief overview of some of the important factors pertaining to brands and how they shape or affect consumer behavior would help us better understand the pros and cons of brands.

Advantages of brands

As the renowned British advertisement giant David Ogilvy said, brands represent “ the consumer’s idea of a product [or a service] “(Ogilvy, 2004). Brands provide product differentiation and therefore help the consumers get what they need. In order to maintain their market stronghold and to improve their competitive edge brands have to constantly innovate. This is very good for the consumers as they have wide variety of products to choose from. With their specialized resources brands can cater to evolving user demands.

The marketing muscle of brands also enables them to provide improved consumereducationof the newer products. (Gehlar et. al, 2009)

When the market is flooded by products, customers can make informed choices only if they are able to compare various product features. When customers do not have access to product information to compare, they automatically select a brand based on its reputation. So the reputation of brands acts as the quality indicator and it influences the purchasing behavior under such circumstances. (Douglas) In this way brands reduce the risk of purchase for the customer.

Today consumers become more knowledgeable and increasingly sophisticated. They can make the brand accountable for their business practices. For example, the awareness about the infamous ‘ sweat shops’ of Nike was shocking for US customers. In one survey it was revealed that 85% of the US customers were willing to pay 5% more for the branded products if they were manufactured legally and not from sweat shops. (Ward, 2003)Thus, under consumer pressure big brands would be motivated to adopt ethical business practices.

Disadvantages of Branding

In discussing the downsides of Brands from the customer viewpoint, the first and foremost concern is the Price issue. Brands spend an inordinate amount ofmoneyin advertising and improving their brand image and value. Invariably these marketing expenditures are transferred on to the customer. It is not a surprise that Coca Cola, the leading brand in the world, spent as much as $2. 9 billion on advertising in 2010. In other words, the customer is spending several times more for Coca Cola’s advertisements than the actual cost for every bottle of the soft drink. (McWilliams, 2011) How about spending a part of this expenditure towards salaries of the workers?

Next, the fixated idea that high cost and quality go together may not always be true. Researchers who tested several store brands and compared it with national brand products have confirmed this. In a study by ‘ Consumer Reports ‘ that tested 19 store brandedfoodproducts against national brands it was found that the quality of all the store brands were at least equal to the Branded products. Also, there was a 27% price difference between the store brands and national brands. As a case in point, the price ofCostco’s vanilla extract is only 35 cents per ounce while the price for one ounce of the same product from McCormick’s is $3. 34. (Consumer Reports, 2009) This difference is ascribed to the advertisement costs. A study by Wolf et. al (2005) that compared 4 store brand products with one national Brand also found that store brands could offer same quality of products but at a lower cost compared to national brands.

Theadvertisement influencethat brands have on children is also studied by researchers. One study by Roper et. al (2007) concluded that brands tend to create a social division among children. In a social setting such as a school, for instance, Kids who cannot afford a particular brand may be marginalized and discriminated against. Thus brandculturemay negatively impact the development of school children.

Conclusion

Brands offer many advantages and disadvantages for the consumers. For those consumers who are not price conscious brands provide easy product differentiation, quality assurance and good after sale care. Brands promote identity development and the brand image adds to the well being of the customer. On the other hand, branded goods are high priced, often several times the actual commodity value. Under the times of economic recession consumers can no longer afford to pay for the exorbitant amount of money brands spend for advertisements. With retailers pushing the store brands at much lower prices and of comparable quality it does not make sense to pay a hefty price for branded products. This when considering the fact that many brands simply pay meager wages to their workers, is ethically unacceptable. Ultimately it is the consumer who has to make a judicious choice.

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